Service Plan | 2011/12–13/14

BCTransit
Linking Communities, Businesses & Lifestyles

BRITISH COLUMBIA

The Best Place on Earth

Message from the Chair to the Minister Responsible

HONOURABLE SHIRLEY BOND

Minister of Transportation and Infrastructure and Minister Responsible for BC Transit

On behalf of the Board of Directors of British Columbia Transit ("BC Transit"), I am pleased to provide our Service Plan for 2011/12–2013/14.

BC Transit's activities over the next three years will continue to be framed by the overall intent of the Provincial Transit Plan and the goals of our organization's corresponding long term corporate strategic plan, *Shaping our Future*. Priority activities to support these plans include initiatives to improve the safety and customer focus of our services as well as processes to improve the financial self-reliance and accountability of our organization.

In the year since our last Service Plan, our organization has continued to evolve in order to better meet customer needs and build ridership. Our internal structure has been realigned to increase our focus and capacity in the areas of transit service planning and delivery, customer care, business development, information technology implementation and safety.

We have also integrated the positive lessons learned from our successful implementation of transit service in the Sea to Sky Region in support of the 2010 Winter Olympic and Paralympic Games (February 2010) and implementation of RapidBus in the Kelowna Region (September 2010).

Over the past few years, BC Transit has fostered significant ridership growth in our transit systems. The provincial government's continued financial support for transit—the highest level of provincial support in Canada—is a key reason for that success, as is the support and collaboration of our local government partners.

Even with the ongoing economic uncertainty, provincial and local government funding is projected to continue to increase but at more constrained levels. Based on these projected levels, it is anticipated that ridership gains over the next three years will be modest but forecasted to increase toward the end of the term of this plan as the economy turns around. Therefore, it is imperative that BC Transit continue to implement innovative ways of delivering value for every hour of service invested in our systems.

One way that we will maximize value over the years ahead is by directing new investment to services that will offer the highest ridership returns, such as commuter trips and routes serving neighbourhoods that have land use densities and patterns that best support transit. We also plan to evaluate existing services to determine how funding can best be reallocated within systems to improve convenience and ridership.

We will also look at further ways to control costs. BC Transit already compares very favourably against our Canadian transit system peers in terms of cost control. BC Transit averages, over a three year period, a 3.9 per cent lift per annum compared to the Canadian Urban Transit Association average of six per cent. In the years ahead, BC Transit will continue to implement new techniques to contain costs, such as measures to control fuel price volatility, new fleet types to improve the passenger experience and reduce diesel fuel use, and new technologies to improve monitoring and decision making.

For the upcoming service plan period, BC Transit looks forward to continuing to demonstrate value to our provincial shareholder and the communities we serve.

The *2011/12–2013/14 BC Transit Service Plan* was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Service Plan is consistent with the B.C. government's strategic priorities and fiscal plan.

The Board is accountable for the contents of the plan, including what has been included in the plan, how it has been reported and the selection of performance measures and targets.

All significant assumptions, policy decisions, events and identified risks, as of December 31, 2010, have been considered in preparing the plan. The performance measures presented are consistent with BC Transit's mandate and goals, and focus on aspects critical to the organization's performance.

The targets in this plan have been determined based on an assessment of BC Transit's operating environment, forecast conditions, risks and past performance. BC Transit looks forward to delivering on those targets and continuing to demonstrate our value in the years ahead.

Kevin Mahoney
Chair, Board of Directors

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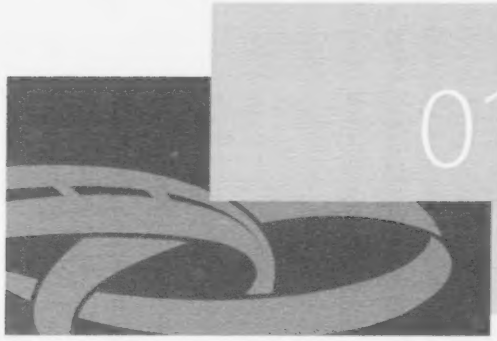


01 Organizational Overview

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside of Metro Vancouver.

BC Transit's mandate includes planning, funding, marketing, fleet management and contracting for the operation of transit services. According to the *British Columbia Transit Act* (Section 3.1), BC Transit is to:

> "... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."

Funding transit service is a partnership of local governments and the Province through BC Transit.

BC Transit headquarters is located in Victoria, British Columbia.

BC Transit's Value and Approach

BC Transit provides a vital service that links communities, businesses and lifestyles across the province with cost-effective, sustainable transit. Furthermore, these services contribute to government objectives and deliver public benefit in four key strategic areas:

1. To support the achievement of climate change initiative goals.
2. To support rural and First Nations communities by linking them to regional services.
3. To increase the mobility of the aging population and provide improved transit to support aging in place.
4. To contribute to the economic, social and environmental sustainability of the province's communities through efficient and effective transit.

In April 2010, BC Transit created a strategic plan, *Shaping our Future*, that establishes the vision, mission, values and strategic objectives needed to accomplish these government objectives and take the province's sustainable transportation networks to the next level of quality, ridership and effectiveness.

OUR VISION

To be a leader of integrated transportation solutions connecting people and communities to a more sustainable future.

OUR MISSION

Through the strength of our people and partners, we provide safe, effective, customer-focussed transportation solutions that link communities, businesses and lifestyles.

OUR VALUES

As we move forward on achieving our objectives and vision of success, the following values will guide our decisions and development:

Safety – We will ensure and improve the safety and security of our employees, customers and assets.

Customer Service – We will work with our customers to meet and exceed their needs and expectations.

Sustainability – We will measure, improve and be accountable for our environmental, financial and social results.

Integrity – As stewards of public resources, we will use our assets prudently and be honest, professional and respectful in our communications and conduct.

Innovation – We will develop new opportunities and ways of doing business, and will work to continuously improve the value and quality of our services.

Collaboration – We will cultivate strong partnerships, recognize communities' complex needs, and create services and opportunities that promote healthy communities and enable choice and connection with other types of travel.

PRIORITY OBJECTIVES

To achieve our vision and mission, BC Transit is working toward five long term objectives. These objectives also frame the strategies and initiatives for this Service Plan:

Develop Financial Sustainability – Secure the long term viability of transit by systematically renewing and revising our revenue sources, structures and internal processes.

Support and Shape Livable Communities – Encourage transit supportive community planning and development that make it easy to get around by walking, cycling and transit.

Change the Perception of Transit – Target transit messaging and advocacy to build public support and attract our next customers.

Deliver Operational Excellence – Deliver safe, reliable, easy to use services that continuously improve through active public engagement.

Strengthen our People and Partnerships – Create an adaptable, socially responsible organization that lives its values, develops its existing employees and partnerships, and attracts new people and opportunities.

Scope

The scope of BC Transit's 2011/12 program as of February 15, 2011:

- has 58 local government partners, including the Victoria Regional Transit Commission and regional hospital districts
- contracts with 18 private management companies, 5 public operating organizations and 15 non-profit agencies
- carries over 50 million passengers annually
- serves more than 1.5 million people in B.C.
- operates 81 transit systems—conventional, custom and paratransit
- owns a fleet of 1,028 conventional and double-deck buses, minibuses and vans
- manages a $310 million annual operating budget
- manages a $162 million annual capital budget

Core Business Areas, Services and Partnerships

BC Transit's systems are as diverse as our province and include a range of service types.

Conventional transit serves the general population in urban settings and offers scheduled bus service that operates on fixed routes. Most vehicles are accessible and range in size from minibuses to double-deck buses to best match ridership and community needs. Rail-based service is currently under evaluation in the Victoria Regional Transit system.

Custom transit employs vans, minibuses and taxis for dial-a-ride and door-to-door handyDART service for passengers with disabilities who cannot use conventional transit. Contracted taxi supplement and taxi saver (discounted coupon) programs offer additional flexible service to complement custom transit and adapt to customer needs.

Paratransit serves small town, rural and Aboriginal communities as well as some suburban areas using minibuses, taxis and vans for flexible routing and schedules.

Through its services, BC Transit provides transportation to everyone from the very young to the very old and works with a range of stakeholders to develop and fund transit. These stakeholders include local governments, Aboriginal communities, health authorities, post-secondary institutions, major employers, school districts, resident's associations, recreation facilities and others.

In most BC Transit systems, service is provided through a partnership between BC Transit, local government and a contracted transit management company. This partnership is formalized through a Transit Service Agreement, and two operating agreements: a Master Operating Agreement (MOA) and an Annual Operating Agreement (AOA). The AOA is renewed on an annual basis.

Sponsoring local governments provide a portion of funding for transit systems (less provincial funding and passenger fares), approve service levels and fare structures and maintain transit facilities such as bus stops, exchanges and shelters. Transit-related decisions are made in open sessions of sponsoring municipal councils or regional district boards.

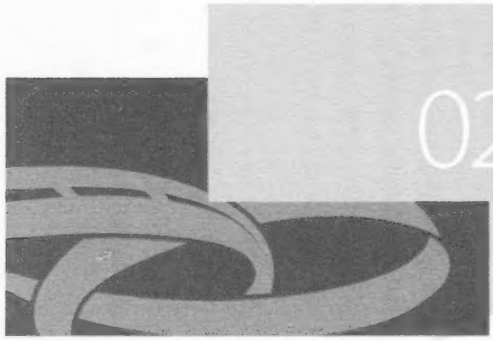
The management companies contracted to operate transit services are selected through a public Request for Proposal process undertaken on a seven-year cycle. The exceptions to this process are systems operated by public organizations (Regional District of Nanaimo, City of Nelson, City of Powell River and the Sunshine Coast Regional District). Transit management company performance is reviewed and evaluated using a range of measures, including service and maintenance audits, operational reviews and ongoing fiscal and ridership performance monitoring.

In the Victoria Region, the Victoria Regional Transit Commission makes decisions regarding service priorities, fares and local taxation for transit purposes. All Victoria Regional Transit Commission members are appointed according to the *British Columbia Transit Act* and meetings are open to the public. BC Transit operates the Victoria Regional Transit System.

No shifts were made to the core business areas or program delivery since the previous year.

Information on BC Transit's organization and scope, including a complete performance listing for all transit systems[1] can be found at www.bctransit.com/corporate.

1 www.bctransit.com/corporate/partnership/fast_facts.cfm



02 Corporate Governance

BC Transit is governed by a seven member Board of Directors appointed by the Province according to the *British Columbia Transit Act* (Section 4.1). The Act requires four of the Board members to be municipally elected representatives. The Board of Directors, through the Chair, reports to the Minister of Transportation and Infrastructure (designated as the Minister responsible for BC Transit).

The Board is governed as described in the checklist of the corporation's practices. This checklist and BC Transit's full board governance disclosure statement can be found on the website[2].

Board of Directors, as of December 2010

Mr. Kevin Mahoney (Chair), North Vancouver
Mayor James Atebe, District of Mission
Councillor Susan Brice, District of Saanich
Mr. Kelly Cairns, Kelowna
Mayor Christopher Causton, District of Oak Bay
Mr. Bob De Clark, Nanoose Bay
Mayor Mary Sjostrom, City of Quesnel

The BC Transit Board of Directors takes a very active role in setting strategic expectations. Financial controls, capital investment and contracting processes are of particular interest to the Board.

The BC Transit Board has one standing committee, the Audit, Finance and Risk Management Committee. The purpose of this committee is to assist the Board of Directors in fulfilling its responsibilities around financial reporting, accounting systems and internal controls and risk management.

The Audit, Finance and Risk Management Committee is comprised of not less than three Board members, elected annually by the Board

2 http://www.transitbc.com/corporate/pdf/12_areas_gov_practice.pdf

of Directors. They will appoint one Committee member as Chair of the Committee, who cannot also be the Board Chair. Existing membership on this committee includes:

Mr. Kelly Cairns, Committee Chair

Mr. Kevin Mahoney

Councillor Susan Brice, District of Saanich

With respect to budget development, estimates are approved by BC Transit's Board and forwarded to the Minister responsible for review and presentation to Treasury Board. Local funding requirements are submitted for the endorsement of the appropriate local government partner and for approval by BC Transit's Board. Provincial funding is provided through the public transportation sub-vote of the Ministry of Transportation and Infrastructure. This Service Plan and the public transportation budget were tabled in the legislature on February 15, 2011.

More information about BC Transit's corporate governance is available on the website[3].

BC Transit Senior Leadership Team

Manuel Achadinha, President and CEO

Tony Sharp, Vice President, Finance and CFO

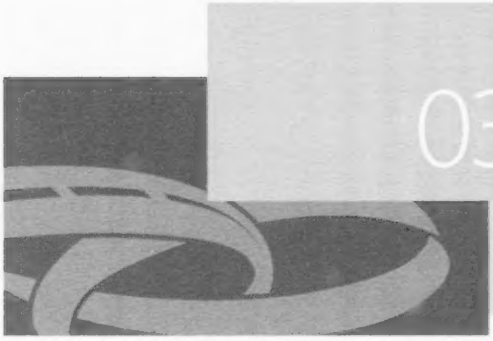
Brian Anderson, Vice President, Business Development and CIO

Mike Davis, Vice President, Operations and COO

Debbie Nussbaum, Vice President, Corporate and Human Resources

The Senior Leadership Team takes an inclusive and hands on approach to ensuring the safety, customer service and continuous improvement of our organization and services.

3 http://www.transitbc.com/corporate/general_info/governance.cfm



03 Strategic Content

External and Internal Operating Environment

Over the past several years, transit ridership has grown at a significantly faster rate than the average increase in population. While it is expected that public demand for improved transit service will continue to grow due to awareness of sustainable transportation benefits and community commitment to Climate Action plans, provincial and local government ability to invest in new services to meet that demand is projected to slow over the next three years. These more modest investment levels are mainly due to the economic slow down.

Since expanding transit's frequency and convenience is key to attracting new passengers, projected levels of new transit investment and system expansion mean that transit ridership is still projected to grow but that the rate of increase will be more modest than that realized in previous years. The rate of ridership increase will also be lower than Provincial Transit Plan targets originally developed on a higher rate of service investment and expansion.

Over the next three years, we will be undertaking a number of strategies to ensure that the continued provincial and local government support for transit is used as efficiently and effectively as possible and that we maximize resulting ridership gains and return on value. These strategies include targeting new investment in transit to services that will generate the highest ridership gains, such as commuter trips and routes serving neighbourhoods that have land use densities and patterns that best support transit. We also plan to evaluate existing services to determine how funding can best be reallocated within systems to improve convenience and ridership.

We will also use this period of slower growth to prepare for the future when higher investment levels and ridership growth can occur once the general economy strengthens. One area where improvement

is planned is through changes to our physical and technical infrastructure to provide sufficient capacity to handle increased future operations. These changes will also enhance the management of transit fleet operations, security and customer information, focusing on areas of our system where we anticipate growth to occur more rapidly.

The slower growth period will also be used to prepare improved plans to guide future transit system and community development. Throughout the service planning period, BC Transit will focus on developing long term Transit Future plans for major transit systems. The process of developing Transit Future plans involves working with communities to envision what their transportation network should look like 25 years from now, determine the key transportation corridors and land use patterns that are required to support it, and outline what priorities, infrastructure and investment are needed to achieve it.

Rapid transit initiatives will continue to move forward in Victoria and Kelowna. Detailed operational reviews will also be undertaken of major services to identify cost reduction and ridership enhancement programs.

Our internal structure will also complement this work. To better enable our organization to meet customer needs and continue to build ridership, we recently undertook a series of internal restructurings. This realignment has strengthened the link between planning and operations to better facilitate continued improvement to our transit system performance. It has also increased our focus and capacity in the areas of safety, customer care, business development and information technology implementation.

BC Transit considers continued investment in transit service in an economic downturn acts as a mitigating measure in the municipalities we serve, as transit service by its nature is labour intensive thus providing a human infrastructure stimulus. BC Transit programs and services span the province covering many small urban and rural areas where the linkage between communities, services and businesses is critically important to their financial well-being.

Key Issues, Risks, Trends and Opportunities

The discussion below summarizes the key issues, risks, trends and opportunities expected during the coming three years.

PROVINCIAL TRANSIT PLAN AND CLIMATE ACTION INITIATIVES

Due to the uncertain timing of economic recovery, projected ridership levels are not expected to meet Provincial Transit Plan targets. However, as the economy improves BC Transit does anticipate ridership levels to grow over the term of this plan and to trend closer to the goals in the Provincial Transit Plan.

The key document guiding BC Transit development plans is the Provincial Transit Plan announced in January 2008. This document, which supports the Provincial Climate Action Plan and climate action initiatives, calls for significant expansion of transit in communities across the province and to double transit ridership by 2020.

BC Transit's Corporate Strategic Plan, *Shaping our Future*, supports the Provincial Service Plan by outlining how we will work to evolve our organization and services to meet the Provincial Transit Plan goals.

Among our strategic objectives, BC Transit will need to invest in new services, new physical and technical infrastructure and seek to take a more significant role in influencing and integrating transportation solutions with land use and development within the communities we serve. In addition, long-term Transit Future Plans will be developed for all major transit systems throughout the province to chart the course for transit expansion aimed at achieving Provincial Transit Plan goals.

Building on our successful implementation of the world's largest hydrogen fuel cell bus fleet in a single location in Whistler, B.C., we plan to continue evaluating and implementing new vehicle and facility technologies to further reduce our greenhouse gas equivalent emissions produced per hour of service.

GROWING DEMAND

Prior to the economic downturn, BC Transit services experienced strong increases in demand throughout the province. However, with the downturn in the economy, ridership growth has been slowing, moving from a 6.5 per cent ridership increase over the previous year in 2008/09 to a 2.5 per cent increase in 2009/10 and a projected increase of 3.0 per cent for 2010/11. This slowing ridership trend has been evident in transit systems across Canada, with many systems elsewhere actually experiencing flat or negative ridership growth.

Although ridership growth has slowed, in many smaller communities the need to connect with regionalized services is increasing pressure on transit services. In larger communities growth is expected when significant improvements to transit systems reduce commuting time. Reductions in local school transportation, growing enrollments at colleges and individuals seeking to reduce their personal carbon footprint also are contributing to ridership growth.

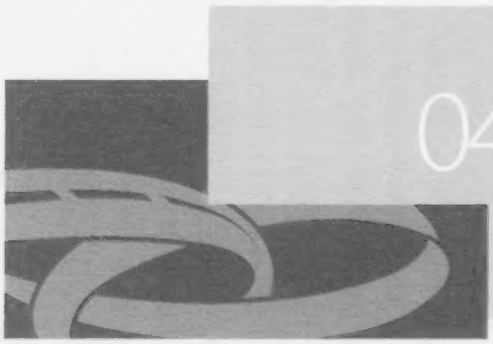
For the coming years, it is anticipated that operational reviews will identify opportunities to enhance ridership within the funding provided by this Service Plan. Ridership growth is expected to increase by an average of 2.6 per cent per annum over the Service Plan period for a total of 8 per cent over projected 2010/11 ridership levels.

ECONOMIC UNCERTAINTY AND FINANCIAL CAPACITY

BC Transit will be working closely with the Province of British Columbia and its local government partners to ensure that funding available for transit is invested to best achieve the outcomes desired by the province and local governments.

BC Transit will also be working closely with its local partners to monitor transit system performance. Prudent financial management practices will be used to control costs and ensure performance is maintained in the top 25 per cent of comparable transit systems.

Strategic purchasing practices will also be explored and implemented to minimize the risk of commodity fluctuations. Management has developed a commodity price risk management policy to mitigate volatility associated with fuel price risk. Operational reviews will be conducted to improve the efficiency of transit operations and to enhance ridership. Emphasis will be on preparing long range plans so when the economy returns to full capacity, transit systems will be well situated to expand and meet the goals of the province and local communities.



04 Goals, Strategies and Performance Measure Targets

This section presents BC Transit's corporate goals, strategies and performance measure targets for the *2011/12–2013/14 Service Plan*.

The first section, Performance Goals and Strategies, presents the Strategic Plan's goals and the corresponding Service Plan priority strategies and major initiatives that will be undertaken over the next three years to support their achievement. Framed by the Provincial Transit Plan, the strategic plan creates a vision of what sustainable transportation should look like in B.C. and the steps our organization needs to undertake to make it happen.

The second section, Performance Measure Targets, outlines the overall corporate measures that will be used to monitor BC Transit's success in achieving those goals.

Ultimately, the success of these interrelated goals and of our organization is measured by the effectiveness and efficiency of our transit services. Overall service effectiveness and efficiency are the performance measures universally adopted by the North American transit industry to track achievement of strategic goals. We have presented the performance measures section separately from individual goals to be in a position to better benchmark our progress.

Performance Goals and Strategies

GOAL 1

Develop Financial Sustainability

Rationale: To meet the demand and expectations for transit now and in the future, we need to secure the longterm viability of transit by systematically renewing and revising our revenue sources, structures and internal processes.

Background: Efforts to build service quality will be futile if they are not underpinned by stable and predictable revenue sources. Several legislative and structural issues currently impede BC Transit's ability to set a longer term financial course or develop new revenue sources. Addressing these structural issues will improve the long term viability of our provincial and local revenue sources and will enable development of new sources.

STRATEGIES	PRIORITY INITIATIVES
1.1 Renew and revise revenue sources and structures so that BC Transit and our partners can plan, prioritize and implement transit improvements over the longer term horizon.	• Continue exploration and development of improved funding and governance arrangements with the provincial government. • Begin implementation of a pilot project in the Central Fraser Valley to examine potential new funding strategies and revised roles and responsibilities within constraints of existing legislation. • Maximize revenues by improving support for local government fare strategies, evaluating commercial ventures, implementing new fare box technologies to reduce fare evasion and further developing the number of participating U-PASS post-secondary institutions.
1.2 Review and redefine governance structures and responsibilities with our partners to better enable long term, regional decision making and clarified responsibilities and communications.	• Develop a revised service plan and agreement process to better communicate with local governments on system performance, funding and future requirements. • Revise the Annual Operating Agreement and Master Operating Agreement structures and documents to clarify roles, responsibilities and expectations between BC Transit and our transit system partners.
1.3 Improve cost control, communication and monitoring processes to mitigate cost volatility, maximize efficiencies and increase our performance.	• Continue to explore and implement measures to control fuel cost volatility. • Deliver a fleet of smaller low floor buses to a larger sample of communities and continue testing new propulsion technologies such as an electric battery dominant vehicle to improve passenger experience and reduce costs. • Implement the i-Transformation project to improve information to support decision making, increase ridership and increase the efficiency of operations. • Undertake detailed service reviews of transit systems and standardize local fleets to maximize the effective use of existing resources.

GOAL 2

Support and Shape Livable Communities

Rationale: To make the most of transit spending, we need to encourage transit-supportive community planning and development that will make it easier to get around by walking, cycling and transit.

Background: Since 1996, the *British Columbia Transit Act* has included reference to supporting Regional Growth Strategies and Official Community Plans. However, in many cases, BC Transit is being asked as an afterthought to serve new automobile-focused housing and business developments that will provide for comparatively few passengers for a comparatively high cost per trip.

This lack of integration between land use and a full spectrum of transportation options results in poor value for public dollars spent. It also misses the tremendous responsibility B.C. has to build neighbourhoods that will be livable and sustainable over the longer term.

STRATEGIES	PRIORITY INITIATIVES
2.1 Increase integration with other types of sustainable travel to enhance transportation options and make it easier for pedestrians, cyclists and regional travelers to link to our services.	• Test triple bicycle racks for use on BC Transit vehicles (racks with a capacity for two bicycles are currently the BC Transit standard). • As part of infrastructure investment, look for further opportunities to partner with local cycling coalitions to administer bike lockers at major exchanges. • Continue implementation of smaller low floor accessible vehicles to complement walkable neighbourhoods and improve service levels within existing costs.
2.2 Work with partners to influence land use development patterns that encourage walking and cycling, and increase the effectiveness of transit.	• Complete long term Transit Future plans in all major urban centres (over 25,000 population) by year three. These plans seek to create alignment between local land use plans and decision making and investment in transit services and infrastructure.
2.3 Identify and establish priority corridors for transit to make travel more attractive and reliable and reduce the impact of congestion. Implement the Victoria Regional Rapid Transit project.	• Implement the second phase of the Kelowna RapidBus project. • Identify candidate corridors for exclusive right of way or transit priority measures in larger urban centres as part of Transit Future plans.

GOAL 3

Change the Perception of Transit

Rationale: To build public support for our business and attract new customers, we need to increase our advocacy and target transit messaging in new ways.

Background: Over the past 60 years, society's love affair with private automobiles has substantially shaped our communities. Cars have become such an ingrained part of our lifestyle that many people cannot imagine what their lives would be like without one. They also find it hard to picture what their neighbourhoods would look like if streets were no longer dominated by cars.

To build public support for the funding, land use patterns and corridors that encourage transit, walking and cycling, we need to first build a common public understanding of what communities would look and feel like if people could easily get around by means other than private automobiles. We also need to demonstrate that transit is for everyone, from those who rely on our services to meet basic social needs to those who choose our services as an effective and responsible way to commute to work and school.

By targeting and increasing advocacy and outreach programs, we can build the conditions for success and increase public awareness about the benefits of transit and other greener transportation modes.

STRATEGIES	PRIORITY INITIATIVES
3.1 Promote sustainable transportation and awareness of BC Transit as a transportation leader.	• Continue the roll out of innovative new public engagement and education processes as part of Transit Future plan development. • Increase use of social media to raise awareness of transit's brand and benefits, particularly for people who may have access to automobiles but will choose to take transit.
3.2 Increase our advocacy and outreach practices.	• Work with the Union of BC Municipalities, the Local Government Management Association of BC, the Planning Institute of BC and local governments to provide information to key municipal staff and decision makers on the benefits of transit and BC Transit's mandate and objectives. • Work with major employers, post-secondary institutions, health authorities and other public and private institutions to encourage greater use of public transit by implementing additional long term pass programs (such as U-PASS and ProPASS) and targeting new transit services.

GOAL 4

Deliver Operational Excellence

Rationale: The core of our business is developing and delivering safe, reliable, easy-to-use services that continuously improve through active engagement with our employees, customers and partners.

Background: Better marketing and advocacy for transit will be of little use if the product we deliver is not consistently excellent. The service we provide must also adapt and improve to meet the needs of our customers, especially in the midst of continuing social, technological and community development change.

STRATEGIES	PRIORITY INITIATIVES
4.1 Ensure the safety of our employees and customers.	• Implement the enhanced provincial Safety and Security Management System to enable us to better track safety procedures and incidents across the province. This system will ensure consistency across our operations and make it easier to identify and address emerging safety issues. • Implement security audit recommendations by prioritizing security improvements for our vehicles and facilities and developing capital plan and operating requirements for implementation.
4.2 Better monitor and address the service reliability and on-time performance of transit systems.	• Undertake operational scheduling and service reviews of all major systems by year three. • Implement Automated Passenger Counters and new electronic farebox technologies in all major systems to better monitor system performance and assist in planning improvements. • Develop and implement maintenance reliability reporting and standards requirements for all conventional transit systems.

4.3 Ensure an effective transit system.	• Target service expansions to identified markets and ensure that the number of passengers carried per capita and per hour of service continues to increase.
	• Invest in infrastructure needed to support effective service delivery and service expansion, in particular:
	  • Build new transit maintenance facilities in Kamloops and Vernon by year two and an additional Victoria Regional maintenance facility by year three.
	  • Create bus stop infrastructure design guidelines and a bus stop investment program.
	  • Establish local government purchasing access to standardized BC Transit bus shelters.
	  • Develop a preventative maintenance program and long range maintenance plan for facilities.
	• Continue to improve the travel experience of our passengers by developing fleet cleanliness requirements and standards for conventional systems and delivering a small fleet of low floor community buses to a larger sample of communities.

4.4 Enhance communication and engagement with our customers.	• Make transit information easier to access by rebuilding the BC Transit website and information services by year three. • More effectively track and respond to customer input by establishing a customer service management strategy.

GOAL 5

Strengthen our Accountability, People and Partnerships

Rationale: Our success depends on creating an adaptable, socially responsible organization that lives its values, develops its existing employees and partnerships, and attracts new people and opportunities.

Background: Our people, partnerships and values are the most important pillars on which BC Transit is built. Strengthening this foundation, and preparing for the many opportunities and challenges that the coming years may bring, means actively working to improve how we attract and develop with our employees and partners.

It also means encouraging a culture of innovation and accountability, and ensuring that we comprehensively consider and monitor our environmental, social and economic impacts.

STRATEGIES	PRIORITY INITIATIVES
5.1 Increase our environmental, social and economic accountability.	• Continue to monitor and reduce our organization's carbon intensity, the amount of greenhouse gas emissions generated for every hour of transit service delivered. • Implement an enhanced Environmental Management System that will ensure environmental stewardship and compliance for BC Transit's assets across the province. • Explore new fleet propulsion alternatives, particularly battery dominant and natural gas propulsion systems and evaluate for implementation. • Implement transit facility energy audit recommendations in year one. • Ensure business case and purchasing procedures adopt lifecycle accounting with monetized values for human, environmental and climate impacts.
5.2 Become an adaptable workplace of choice.	• Prepare a workforce plan. • Develop a formal succession plan for managers, directors and Senior Leadership Team.
5.3 Enhance existing partnerships and develop new ones.	• Initiate a partnership survey to measure transit partner perceptions of and satisfaction with BC Transit's services and responsiveness.

Performance Measure Targets

This section details BC Transit's performance measures and projected targets to assess our progress in achieving our Strategic Plan and *2011/12–2013/14 Service Plan* goals. BC Transit's performance measures are broken into two categories: service effectiveness and cost efficiency.

These performance measures are those universally adopted by the North American transit industry to track achievement of strategic goals. The holistic measures of service effectiveness and cost efficiency are particularly useful since the Strategic Plan goals are interrelated.

Targets provided in this section are corporate level and reflect the total of all BC Transit's locations and services.

BC Transit benchmarks its performance against transit statistics collected and published by the Canadian Urban Transit Association. Victoria Regional Transit System performance is compared against transit systems of municipalities between 150,000 and 400,000 population. Transit performance in regional centers is compared against transit performance in municipalities with population of comparable size. Conventional transit systems and custom transit (those dealing with special needs travel) are reviewed separately.

BC Transit benchmarks favourably against its Canadian peers, generally carrying more passengers per hour and more passengers per capita at a lower cost per passenger.

BC TRANSIT CORPORATE PERFORMANCE MEASURES: SERVICE EFFECTIVENESS

Service effectiveness measures consisting of revenue passengers and passengers per capita describe how well BC Transit's services attract customers and serve communities.

	Actual		Projection			
Measures of Service Effectiveness	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Service hours (thousands)	2,011	2,086	2,176	2,233	2,334	2,418
Revenue passengers (thousands)	47,576	48,753	49,726	50,096	51,830	53,734
Rides/capita	31.1	31.5	31.9	31.9	32.7	33.6

Measure Definition, Importance and Data Collection

Revenue passengers represent transit riders who have made a one-way trip using transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.) This is the primary measure of how many people use BC Transit's services. Passenger statistics are reviewed monthly and are based on statistically valid counting methods used throughout the industry.

Rides per capita reflect annual passengers carried divided by service area population. This is a measure of market share and the effectiveness of services in transit markets. Increasing rides per capita reflects a transit system that is providing greater transportation benefit to the community. Population is based on the defined service area and uses Census Canada information updated by the latest BC Statistics data.

Performance Analysis

Although increased from previous years, BC Transit's 2009/10 revenue passengers carried and rides per capita were below *2009/10 Service Plan Update* targets. This is primarily due to a slower economy, which can reduce the demand for commuter services as well as the number of discretionary trips taken, and lower fuel prices relative to preceding years which increase the competitiveness of automobile travel. However, passenger gains realized during times with higher fuel prices have been retained. Rides per capita grew at a rate slower than revenue passengers, meaning that community populations increased at a greater rate than transit ridership.

Ridership growth is expected to increase by an average of 2.6 per cent per annum over the Service Plan period for a total of 8 per cent over projected 2010/11 ridership levels. This level of growth reflects continued commitment to fund transit services, including providing for service expansion, despite cost pressures and the ongoing period of economic uncertainty.

Benchmarks

Final Canadian Urban Transit Association data for 2009/10 is not yet available. However, many other Canadian systems have been reporting flat or declining ridership over the past year and therefore BC Transit's 2.5 per cent increase over 2008/09 ridership is preliminarily viewed as positive against its peers. Based on 2008/09 data (the most current year available), BC Transit carries a higher rate of passengers per capita than its peers. This trend is expected to continue throughout the Service Plan period.

BC TRANSIT CORPORATE PERFORMANCE MEASURES: COST EFFICIENCY

Cost efficiency measures consisting of "operating cost recovery" and "cost per passenger" describe how well BC Transit's services do the following:

- offset costs through collection of passenger revenues
- contain cost increases in comparison to passenger increases

	Actual		Projection			
Measures of Cost Efficiency	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Operating cost recovery	35.2%	33.4%	33.0%	31.1%	29.9%	28.9%
Operating cost per revenue passenger	$3.56	$3.73	$4.00	$4.29	$4.45	$4.57

Measure Definition, Importance and Data Collection

Operating cost includes all transit expenditures with the exception of debt servicing.

Operating revenues include passenger and advertising revenue. It excludes provincial grants, property tax and fuel tax revenue.

Cost recovery reflects annual operating revenue divided by annual operating cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by local government transit partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. Under the *British Columbia Transit Act*, local governments are assigned the responsibility for establishing fares and making decisions with respect to trade-offs between fares and property taxes to fund transit service. Failure to achieve cost recovery targets is often not a result of corporate activities.

Operating costs and revenues are based on actual information reviewed monthly and audited annually.

Operating cost per revenue passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Increasing cost per passenger indicates that costs are growing faster than ridership.

Performance Analysis

Operating cost recovery declined over the past three years and did not meet the *2009/10 Service Plan* target. Passenger fares are set by local government. The decline is primarily due to an increase in

the proportion of discounted prepaid fares, particularly monthly passes and newly implemented U-PASS programs. These discounted fare products have resulted in ridership gains and progress toward climate action goals but lower than anticipated revenues.

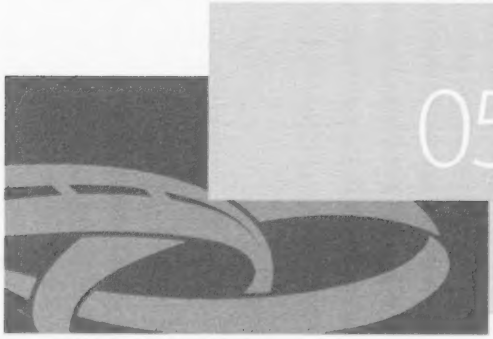
Operating cost per passenger increased from previous years but met the *2009/10 Service Plan* target. Operating costs in 2009/10 were below budget mainly due to lower than anticipated fuel and maintenance expenditures.

A commodity price risk management program was implemented to mitigate the volatility risk associated with fuel pricing. This strategy includes pursuing fixed price financial and physical supply contracts with suppliers, bulk purchase discounts and strategic partnerships. Reducing the volatility that has been associated with fuel pricing will provide increased cost and budget certainty to our funding partners. BC Transit will also continue to pursue new fleet types and trial new technologies that will increase the fuel economy of the fleet.

In response to cost pressures arising from fleet such as increased investment and maintenance, BC Transit implemented a Long Range Maintenance Plan (LRMP) which includes the analysis of existing and planned future fleet, maintenance requirements, capacity and labour constraints and funding requirements. Maintenance is now conducted under the LRMP to ensure the most efficient and effective use of assets. It also results in a maintenance program that is proactive rather than reactive thereby increasing overall performance, reliability and customer satisfaction. In connection with the implementation of the LRMP, BC Transit adopted a change in accounting policy in fiscal 2009 whereby costs associated with major capital maintenance are now capitalized and amortized over their estimated useful lives. This change more accurately reflects accounting capitalization principles and reduces the volatility and impact of significant maintenance costs being incurred in a given year.

Benchmarks

Based on 2008/09 data (the most current year available), BC Transit has a higher rate of operating cost recovery and a lower operating cost per passenger than its Canadian peers. This benchmark trend is expected to continue throughout the Service Plan period.



05 Shareholders Letter of Expectations

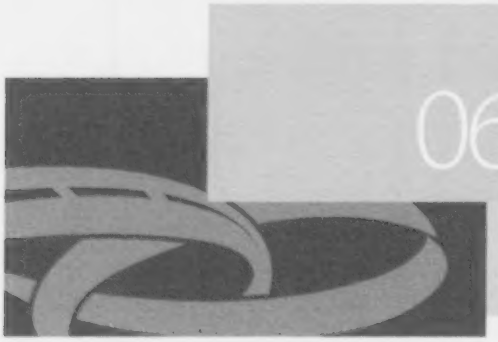
The Minister of Transportation and Infrastructure, to whom BC Transit reports, outlines performance expectations in support of customer needs and government priorities through an annual Shareholder's Letter of Expectations. The terms of the agreement are reviewed and updated annually. The complete 2011 agreement can be viewed on the BC Transit website[4].

The key requirements identified for BC Transit for the fiscal year 2011/12 and BC Transit's corresponding proposed action plan are outlined in the following table.

SPECIFIC DIRECTION TO THE CORPORATION	BC TRANSIT'S 2011/12 ACTION PLAN
Provide advice and support to the Shareholder in the development and implementation of transit funding strategies.	In 2009/10 BC Transit undertook significant public involvement to develop and finalize *Shaping our Future*, the organization's corporate strategic plan. The plan defines "developing financial sustainability" as one of the five major objectives and outlines priorities and actions to support change. BC Transit is working with the Ministry of Transportation and Infrastructure to outline the challenges of existing governance and revenue structures and offer solutions. BC Transit is also undertaking a pilot project in the Central Fraser Valley to examine new funding strategies and revised roles and responsibilities within the constraints of existing legislation.

4 http://bctransit.com/corporate/general_info/annual_reports.cfm#annual

SPECIFIC DIRECTION TO THE CORPORATION	BC TRANSIT'S 2011/12 ACTION PLAN
Provide advice and support to the Shareholder on transit services and technologies that support government's environmental and climate change objectives.	BC Transit helps build sustainable transportation networks that integrate many types of travel. Transit has the potential to create a net negative regional carbon footprint by displacing emissions that would otherwise have occurred from private car trips, by reducing congestion, by influencing transit oriented land use development and by making walking and bicycling easier. BC Transit will continue to aid local government partners in the setting of emissions targets in local and regional climate action and Official Community Plans. BC Transit measures and is accountable for its environmental results. BC Transit will continue to report its GHG emissions under carbon accounting protocols and will offset those regulated GHG emissions it cannot avoid through payments to the Pacific Carbon Trust. BC Transit is testing clean energy and low carbon vehicle technologies that can reduce environmental impacts to assess implementation costs, viability and operational compatibility over the longer term. These include expanding placement of smaller low floor buses to a larger sample of communities, issuing a Request for Proposals for hybrid diesel-electric vehicles, purchasing a hybrid double deck bus and testing an electric battery-dominant vehicle.
Align actions and activities to be consistent with the intent of the Provincial Transit Plan.	Target service expansions to identified markets and ensure that the number of passengers carried per capita and per hour of service continues to increase. Implement the Victoria Regional Rapid Transit project and the second phase of the Kelowna RapidBus project. Complete long term Transit Future plans in all major urban centres (over 25,000 population) by 2014 to enhance development of walkable, transit-supportive communities and create better alignment between local land use plans and decision making and investment in transit services and infrastructure. Identify candidate corridors for exclusive right of way or transit priority measures as part of Transit Future plans.
Provide advice and support to the shareholder in the review of ownership of rapid transit assets.	BC Transit will provide background information regarding the Vancouver Expo Line and West Coast Express infrastructure assets to facilitate the transfer to the Ministry or an entity controlled by the Ministry.
Ensure that financial targets will be achieved, as directed in the letter dated January 18, 2010, with BC Transit to have balanced budgets in each year (i.e., ensure annual expenses do not exceed annual revenues).	BC Transit will achieve its budget targets, barring unforeseen and uncontrollable economic events.



06 Summary Financial Outlook

Assumptions, Risk Factors and Sensitivities

Significant risks and inflationary factors associated with the projection for the forecast period include:

- This Service Plan is based on a multi-year projection of operating and capital funding. However, both the local and provincial funding partners confirm budgets annually. Consequently, only the current year's funding levels are committed. Subsequent years' funding will be impacted by prevailing economic conditions.
- The current economic uncertainty can impact transit programs. Ridership may decline as overall travel usually decreases in a slower economy. Local governments are responsible for approximately 50 per cent of total transit costs and by virtue of the transit funding formula absorb the risk of revenue shortfalls when they may occur. Several communities' ridership growth and demands for increased service exceed the capacity of the transit system to respond and expand. The funding requirements for infrastructure replacement, operating cost inflation and expansion will continue to put pressure on provincial and local governments to fund user demand for service.
- The single largest forecast financial risk is fuel pricing. Fuel price volatility remains high and is anticipated to escalate with the recovery of the global economy. BC Transit has implemented a commodity price risk management program to mitigate the risk of fuel price volatility. The program includes entering into fixed price supply agreements on a portion of our fuel consumption to contain the cost volatility and identifying other initiatives to realize cost savings to market such as large volume bulk purchases to mitigate risk.
- The cost of fleet maintenance has increased significantly over the past five years. Maintenance costs for running repairs, major component overhauls and mid-life tune-ups are largely attributable to the age of the fleet, increasing costs of parts and

the technological complexity of newer vehicles. Maintenance costs may also fluctuate due to volatility in foreign exchange as most parts originate from American or European suppliers. To mitigate volatility associated with maintenance costs, BC Transit has implemented a preventative maintenance program that is proactive rather than reactive in nature. A change in accounting policy in 2009 also shifted major capital maintenance from the operating program to the capital program whereby expenditures are capitalized and amortized over their estimated useful lives. This treatment better reflects best practices and reduces funding volatility associated with these costs.

- To implement the services anticipated over the next three years will require an estimated 70 additional staff at BC Transit to provide the professional and administrative services supporting the provincial network and operate the Victoria Regional Transit System.
- Additional new jobs will be required by contract operators delivering transit service in the remainder of the province. Loss of or failure to attract and retain key personnel could have an adverse effect on the ability to deliver the Service Plan. Currently, BCTransit administers three collective agreements. Our unionized employees are represented by Canadian Autoworkers (CAW), Canadian Office & Professionals Employee's (COPE), and the Canadian Union of Public Employees (CUPE). The CAW and COPE agreements expire March 31, 2012 and the CUPE agreement expires on December 31, 2012. Should BC Transit be unable to negotiate an acceptable contract after any of these collective agreements expire with any of the unions, a labour disruption or work stoppage could occur. Further, BC Transit relies on third parties – such as our regional partners – some of whose workforces are also unionized. If those workers engage in strike or other similar work stoppages operations of BC Transit systems could be disrupted.
- Changes in taxation legislation and regulatory requirements may have a financial impact. The Province of British Columbia announced the harmonization of provincial sales tax with the federal goods and services tax regime, effective July 1, 2010. Harmonized sales tax (HST) standardizes and integrates the collection of formerly separate provincial sales taxes and the federal goods and services tax. Other regulatory changes that could have a financial impact include environmental legislation and changes to procurement and accounting requirements.

Table 2 presents the financial risk to BC Transit from a 1per cent change in the cost of selected factors. For example, a 1per cent increase in fuel prices above budgeted levels will increase BC Transit costs by $264,000 per year.

BC Transit's financial forecast for the Service Plan period is summarized in Table 3.

Table 2

BC Transit Corporate 2011/12 Risk Factors and Sensitivities

RISK FACTOR (1% CHANGE)	FINANCIAL RISK	PROVINCIAL SHARE*
Interest Rates (new issues)	$ 858,000	$ 351,800
Currency exchange	$ 425,000	$ 174,300
Fuel	$ 264,000	$ 108,200
Maintenance Labour Costs	$ 184,000	$ 75,400
Maintenance Parts Pricing	$ 170,000	$ 69,600
Benefits (employees)	$ 133,000	$ 54,400
Property Maintenance & Lease	$ 80,000	$ 32,800
Insurance	$ 38,000	$ 15,600

* Provincial Share of total risk varies by type and location of service.

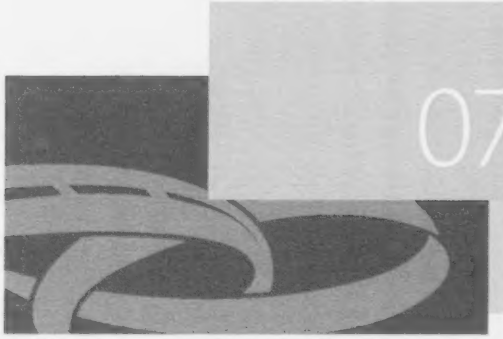
Table 3

BC Transit 2011/12–2013/14 Forecast[1]

(figures in thousands)	2009/10 Actual	2010/11 Forecast	2011/12 Plan	2012/2013 Plan	2013/2014 Plan
Income Statement					
Revenue					
Operating Contributions from the Province	79,105	83,508	90,875	98,021	104,532
Amortization of Deferred Capital Contribution (DCC)	42,905	59,154	61,715	66,983	79,300
Amortization of Contributed Surplus and Other Capital Grants[2]	3,773	1,938	1,868	1,529	1,412
Local taxation	60,840	71,231	86,898	106,771	124,915
Passenger & advertising revenue	60,679	64,712	66,766	68,987	70,910
Investment and other earnings	4,205	3,240	2,188	2,181	2,362
Total Revenues	**251,507**	**283,783**	**310,310**	**344,472**	**383,431**
Expenditures					
Salaries and benefits	57,663	60,313	66,610	71,509	76,133
Operating costs	124,174	135,848	148,170	159,068	169,354
Capital asset amortization expense[2]	60,279	78,483	80,701	97,696	119,522
Debt service costs	7,908	9,139	14,829	16,199	18,422
(Gain) loss on sale of capital assets	-	-	-	-	-
Total Expenditures	**250,024**	**283,783**	**310,310**	**344,472**	**383,431**
Net Income (Loss)	1,483	-	-	-	-
Capital Expenditures	150,917	60,710	162,350	206,960	310,720

[1] *Forecast includes only costs shared between the funding partners. Non-shareable costs including mark-to-market adjustments are excluded.*

[2] *For purposes of this Service Plan, amortization of Contributed Surplus is disclosed as Revenue. Accepted financial statement disclosure records amortization of Contributed Surplus as a recovery from Net Assets.*



07 Capital Plan and Major Projects

To achieve the objectives of the Provincial Transit Plan and the expectations of the shareholder, infrastructure investment is required. As transit services and bus fleets increase, a number of transit facilities will need to be expanded or replaced. These include garages and maintenance facilities, transit exchanges, Park and Rides and bus stop improvements. Technical infrastructure investment in fleet management, fare collection, information, security systems and transit priority are also required to meet the challenge of provincial objectives.

BC Transit's capital plan is summarized in Table 4.

Table 4

BC Transit Capital Plan

(figures in thousands)	2011/12	2012/13	2013/14	Total
Province-Capital Grants	$ 63,880	$ 86,720	$ 125,470	$ 276,070
Municipalities (FAL)	$ 86,790	$ 103,310	$ 140,150	$ 330,250
Other	$ 11,680	$ 16,930	$ 45,100	$ 73,710
Total Capital Projects	**$ 162,350**	**$ 206,960**	**$ 310,720**	**$ 680,030**

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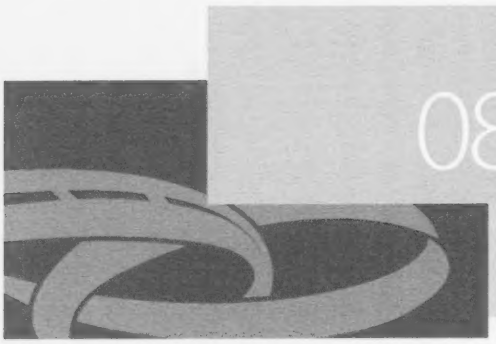

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BC Transit's Corporate Service Plans, Annual Reports and Financial Reports are available on the BC Transit website at www.bctransit.com.

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